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Message Text

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53
ACTION EA-14

INFO OCT-01 ISO-00 CIEP-02 SAJ-01 AID-20 EB-11 SIL-01

LAB-06 TRSE-00 COME-00 FEA-02 XMB-07 INT-08 OMB-01

NEA-10 CEA-02 DRC-01 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 /164 W
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R 010910Z MAR 74
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 317
INFO CINCPAC HONOLULU HI

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CINCPAC FOR POLAD

E.O. 11652: N/A
TAGS: PINT JA
SUBJECT: LOWER HOUSE BUDGET COMMITTEE PRICE SESSIONS

REF: TOKYO 2515

SUMMARY: LOWER HOUSE BUDGET COMMITTEE CONCLUDED UNPRECEDENTED THREE-DAY LONG QTE CONCENTRATED PRICE DELIBERATIONS UNQTE FEBRUARY 27. LDP MEMBERS JOINED OPPOSITION IN SHARP QUESTIONING OF NATION'S TOP 23 BUSINESS LEADERS ABOUT QUESTIONABLE CORPORATE PRACTICES, INCLUDING PRICE CARTELS, HOARDING OF SCARCE CONSUMER GOODS TO DRIVE PRICES HIGHER, AND WHOLE RANGE OF QUESTIONS RELATED TO EXCESS PROFITS GAINED AT CONSUMER EXPENSE DURING PERIOD OF ECONOMIC UNCERTAINTY USHERED IN BY OIL CRISIS. INTERROGATIONS LEFT CLEAR OVERALL IMPRESSION THAT BIG BUSINESS HAS PROFITTED FROM CONTINUING PRICE INCREASES OVER RECENT MONTSH, STIMULATED IN MANY INSTANCES BY COMPANIES THEMSELVES. COMMITTEE SESSION LEFT OPPOSITION EAGER TO PRESS ATTACH ON BUSINESS COMMUNITY
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AND CLEARLY PLACED GOJ/LDP ON DEFENSIVE. END SUMMARY.

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1. POTENTIALLY MOST IMPORTANT POLITICAL QUESTION RAISED BY COMMITTEE CENTERS ON CONTRADICTION BY MITI SPOKESMEN OF JAPAN PETROLEUM ASSOCIATION PRESIDENT HIROTAKA MITSUDA'S ALLEGATION THAT OIL COMPANIES ENTERED INTO PRICE CARTELS UNDER ADMINISTRATIVE GUIDANCE OF MITI. CLARIFICATION OF THIS CONTRADICTION, PARTICULARLY WITH RESPECT TO PRICE CARTEL AGREEMENT CONCLUDED IN FEBRUARY 1971 IN RESPONSE TO OPEC DECISION AT TEHRAN TO RAISE CRUDE OIL PRICE 45 CENTS PER BBL, COULD LEAD DIRECTLY TO PRIMIN TANAKA, WHO WAS MITI MINISTER AT TIME ADMINISTRATIVE GUIDANCE ALLEGEDLY GIVEN. SINCE MITSUDA'S ALLEGATION WERE NOT MADE UNDER OATH, HOWEVER, OPPOSITION HAS DEMANDED HIS RECALL AS WITNESS, SUBJECT TO OATH, TO PURSUE MATTER. IMPLICIT, OF COURSE, IS POSSIBILITY OF EMBARRASSING INVOLVEMENT OF PRIMIN TANAKA.

2. MITSUDA ALLEGATIONS WERE FOLLOWED BY CONTINUOUS FLURRY OF MITI DENIALS, AND MINISTER NAKASONE QUICKLY SUMMONED MITSUDA TO MITI FEBRUARY 28 TO EXPLAIN HIS STATEMENTS IN THE DIET. IN WIDELY REPORTED MEETING WHICH RESULTED, MITSUDA APLOGIZED ORALLY TO MITI MINISTER NAKASONE FOR QTE ERRONEOUS UNQTE STATEMENT THAT PRICE CARTEL WAS BASED ON MITI ADMINISTRATIVE GUIDANCE, AND AGREED TO SUBMIT FORMAL WRITTEN APOLOGY FOR STATEMENT. OF ALL QTE REFERENCES UNQTE WHO APPEARED BEFORE COMMITTEE, ONLY MITSUDA GAVE RESPONSES WHICH REINFORCED PUBLIC IMPRESSION OF COLLUSION BETWEEN MITI AND INDUSTRY, THUS POSING GRAVE PROBLEM OF PUBLIC IMAGE FOR MITI. MITSUDA APOLOGY MAY WELL PROVIDE BASIS FOR GOJ TO OFFICIALLY DENY HIS ORIGINAL ALLEGATIONS, BUT PUBLIC MAY ALSO BE TEMPTED TO VIEW THIS AS FORM OF TAKING RESPONSIBILITY TO COVER UP EMBARRASSING TRUTH.

3. WITH EXCEPTION OF MITSUDA, MOST OTHER BUSINESSMEN WHO APPEARED BEFORE COMMITTEE GENERALLY FOLLOWED STRATEGY OF APOLOGIZING FOR INCONVENIENCE TO PUBLIC CAUSED BY PRICE INCREASES BASED ON REAL OR ANTICIPATED INCREASE IN MATERIAL COSTS. MOST INDICATED SINCERE DESIRE TO MAINTAIN PRICES IN ACCORDANCE WITH GOJ GUIDELINES. MOST DENIED THEIR PROFITS WERE EXCESSIVE. HOWEVER, NONE SUCCEEDED IN FULLY REFUTING CHARGES THAT THEY HAD PROFITTED GREATLY UNDER CONDITIONS OF ECONOMIC UNCERTAINTY. MEDIA COMMENTATORS CHARACTERIZED LIMITED OFFICIAL USE

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BUSINESSMEN'S POSITION AS QTE HARD-LINE LOW POSTURE UNQTE.

4. HARD HITTING KEIWA OKUDA (LDP) QUESTIONING OF YOSHIRO MARUTA, PRESIDENT KAO SOAP COMPANY, REFLECTED HARDENING ATTITUDE WITHIN LDP TOWARD BUSINESS EXCESSES. OKUDA QUESTIONS REVEALED TACTIC EMPLOYED BY KAO SOAP COMPANY, LARGEST DETERGENT PRODUCER IN JAPAN, TO INCREASE PROFITS, I.E. COMPANY FIRST NOTIFIED RETAIL OUTLETS OF IMPENDING PRICE INCREASE, WHICH TOUCHED OFF SCARE-

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BUYING, THUS CREATING SHORTAGE, WHICH JUSTIFIED ADDITIONAL PRICE INCREASES. MARUTA EXPRESSED REGRET FOR INCONVENIENCE TO CONSUMERS, AND FOR COMPANY'S QTE CARELESSNESS UNQTE IN DEALING WITH INCREASED PRICE OF RAW MATERIAL IMPORTS, WHICH FOLLOWED IMPOSITION OF RESTRICTIONS ON AGRICULTURAL EXPORTS BY US LAST SUMMER (SIC). MARUTA PROMISED TO RESTRAIN FURTHER PRICE INCREASES INDEFINITELY, EVEN IF COMPANY SHOULD LOSE POTENTIAL EARNINGS. MARUTA DENIED THAT HIS COMPANY HAS REAPED EXCESS PROFITS, AND EXPLAINED THAT DESPITE SHARP INCREASE IN OVERALL EARNINGS, COMPANY PROFITS AFTER TAXES WOULD FALL SLIGHTLY SHORT OF 1.2 BILLION YEN PROFITS REGISTERED IN SAME PERIOD LAST YEAR.

5. DISCUSSION OF PROFITS LED TO QUESTIONS ABOUT PRODUCTION COSTS, WHICH COMPANY PRESIDENTS UNIFORMLY REFUSED TO DIVULGE. EXPLORATION OF CORPORATE PROFITS AND PRODUCTION COSTS TENDS TO SUBSTANTIATE SOME COMMENTS THAT ONE OPPOSITION PARTY OBJECTIVE IN DELIBERATIONS WAS REINFORCEMENT OF WAGE DEMANDS BY ORGANIZED LABOR DURING CURRENT SPRING STRUGGLE.

6 FOLLOWING CONCLUSION OF PRICE DELIBERATIONS, GOJ SOURCE (USUALLY IDENTIFICATION OF CHIEF CABINET SECRETARY NIKAIDO WHEN SPEAKING OFF RECORD) INFORMED PRESS THAT GOJ AND LDP RATED SESSIONS RATHER HIGHLY, AND EXPRESSED HOPE THAT PUBLIC QUESTIONING IN DIET WOULD ACT AS QTE STRONG PSYCHOLOGICAL RESTRAINT UNQTE ON BUSINESS BEHAVIOR IN FUTURE.

7. MEANWHILE, PROCEEDINGS IN BUDGET COMMITTEE ITSELF HAVE COME TO COMPLETE HALT FOLLOWING END OF PRICE SESSIONS. LDP MEMBBERS REFUSE TO ACCEPT OPPOSITION DEMANDS THAT MITSUDA, MARUTA AND FEW OTHER BUSINESSMEN BE RECALLED TO TESTIFY AS WITNESSES UNDER OATH. INSTEAD, LDP WISHES TO RESUME DELI-

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BERATIONS OF GOJ DRAFT BUDGET FIRST AND CONSIER RECALL OF BUSINESSMEN LATER. AS RESULT OF CONFRONTATION, COMMITTEE WAS UNABLE TO AGREE TO OPEN FEBRUARY 28 SESSION. COMMITTEE DIRECTORS HAVE BEGUN DISCUSSIONS TO WORK OUT COMPROMISE TO PERMIT PROCEEDINGS TO RESUME, BUT PROSPECTS OF EARLY SUCCESS APPEAR TO BE SLIGHT IN ABSENCE OF SOME CONCESSION TO OPPOSITION TO RESUME QUESTIONING OF BUSINESSMEN. FURTHER CONSEQUENCE OF CONFRONTATION APPEARS TO BE ADDITIONAL DELAY IN DIET APCCROVAL OF GOJ DRAFT BUDGET, DELIBERATIONS ON WHICH ARE ALREADY ALMOST TWO WEEKS BEHIND SCHEDULE.

8. COMMENT: IT WOULD APPEAR THAT LDP/GOJ FACE IMPERATIVE TASK TO SEE THAT MITSUDA NOT BE PLACED UNDER OATH IN COMMITTEE, OUT OF CONCERN ABOUT POSSIBLE EMBARRASSMENT OF INVOLVEMENT OF PRIMIN TANAKA IN EARLIER PRICE CARTEL

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ARRANGEMENTS. OPPORTUNITY FOR OPPOSITION FISHING EXPEDITION UNDER CIRCUMSTANCES POSES CONSIDERABLE RISK OF ABOVE, AS WELL AS POSSIBLE CONFIRMATION, IN SOME FORM, OF HISTORICAL RELATIONSHIP BETWEEN MITI AND INDUSTRY. SERIOUSNESS OF SITUATION SEEMS TO HAVE BEEN UNDERLINED BY HASTY APOLOGY REQUIRED OF MITSUDA. ABOVE CONSIDERATIONS MAY WELL OUTWEIGH NEED OF LDP TO REACH EARLY COMPROMISE WITH OPPOSITION TO PERMIT EARLY RESUMPTION OF BUDGET DELIBERATIONS.
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